

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
AT RICHMOND, JULY 13, 2010

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY
D/B/A DOMINION VIRGINIA POWER

CASE NO. PUE-2010-00055

For revision of rate adjustment clause:
Rider R, Bear Garden Generating Station
for 2011-2012

ORDER FOR NOTICE AND HEARING

On June 25, 2010, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") its application for approval of the annual filing as required by Order Approving Rate Adjustment Clause of the State Corporation Commission in Case No. PUE-2009-00017 granting approval of a rate adjustment clause ("RAC"), Rider R, with respect to the Bear Garden Generating Station and Bear Garden-Bremo 230 kV Transmission Interconnection Line ("Application"). Direct testimony, exhibits, and schedules required by the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings, 20 VAC 5-201-10 *et seq.* ("Rate Application Rules") were also filed.¹ Dominion Virginia Power proposes to revise the RAC to be applied to customers' bills beginning April 1, 2011.

In 2009, the Commission approved construction and operation and issued a certificate of public convenience and necessity for the Bear Garden Generating Station, a gas-fired combined

¹ By letter of June 30, 2010, filed with the Clerk of the Commission, the Company provided information on service of notice required by the Rate Application Rules.

cycle generation facility now under construction in Buckingham County, Virginia.² As provided by Va. Code § 56-585.1 A 6, the Commission may approve a RAC to recover the cost of constructing and operating a qualified generating facility and to provide a financial incentive to construct the facility. We approved the RAC for the Bear Garden facility, which is published in the Company's tariff as Rider R, Bear Garden Generating Station. Rider R took effect for service provided on and after January 1, 2010, and it is scheduled to remain in effect through March 31, 2011.³

The Company proposes to revise its Rider R effective for customer usage on and after April 1, 2011. The proposed Rider R would range from 0.081 cents/kWh to 0.161 cents/kWh, depending on the customer's Rate Schedule. For Schedule 1, Residential, proposed Rider R is 0.161 cents/kWh.⁴ Customers' bills would reflect the application of the appropriate rider to consumption, in kWh, for the billing period.⁵ The identified total revenue requirement for proposed Rider R for the rate year April 1, 2011, through March 31, 2012, is \$85,874,000 for the Virginia jurisdiction.⁶

² *Application of Virginia Electric and Power Company, For a certificate to construct and operate a generating facility; for certificates of public convenience and necessity for a transmission line: Bear Garden Generating Station and Bear Garden-Bremo 230 kV Transmission Interconnection Line*, Case No. PUE-2008-00014, Final Order (March 27, 2009).

³ *Application of Virginia Electric and Power Company, For Approval of a Rate Adjustment Clause for Recovery of the Costs of the Bear Garden Generating Station and Bear Garden-Bremo 230 kV Transmission Interconnection Line*, Case No. PUE-2009-00017, Order Approving Rate Adjustment Clause (Dec. 16, 2009); Order Approving Stipulation and Addendum (March 11, 2010) ("2010 Stipulation Order").

⁴ See Schedule 2 to the direct testimony of Company witness Edward J. Anderson, which was filed with the Application. Under certain rate schedules, Rider R would be applied to demand charges rather than kWh.

⁵ The increase in monthly bills for various rate schedules and various consumption levels are shown in Schedule 3 to the direct testimony of Company witness Edward J. Anderson, which was filed with the Application.

⁶ Application at 10.

The revenue requirement has three components: the projected cost recovery factor, the allowance for funds used during construction ("AFUDC") cost recovery factor, and the actual cost true-up factor.⁷ Testimony, exhibits, and schedules filed pursuant to the Commission's Rate Application Rules were offered to support projected costs to be recovered through the proposed Rider R.⁸ The Company requests that the Commission approve the updated expenditures for the Bear Garden project and find that such expenditures are reasonable and prudent.⁹ The projected cost component of the revenue requirement totals \$83,648,000.¹⁰

The proposed Rider R would also provide for recovery of AFUDC to amortize the unrecovered AFUDC accrued between January 1, 2009, and December 31, 2009. Beginning January 1, 2010, Rider R now in effect provided a return on the project.¹¹ The AFUDC recovery component is \$2,226,000.¹²

The cost recovery and AFUDC recovery components total \$85,874,000 for the Virginia jurisdiction. Dominion Virginia Power is not proposing an actual cost true-up factor in the Application. The Company anticipates that a true-up factor will be included in its next application to revise Rider R.¹³

In calculating the proposed Rider R, Dominion Virginia Power used a return on equity of 12.3%. This return reflects a proposed return of 11.3%, to which the Company added 100 basis

⁷ *Id.* at 9-10.

⁸ *Id.* at 6-7, 9-10.

⁹ *Id.* at 6-7.

¹⁰ *Id.* at 9.

¹¹ *Id.* at 10-11.

¹² *Id.* at 10.

¹³ *Id.*

points for the enhanced return authorized by Va. Code § 56-585.1 A 6 for a combined-cycle generating facility like the Bear Garden project.¹⁴

As noted above, Dominion Virginia Power filed the two schedules required by our Rate Application Rule 20 VAC 5-201-60, RAC filings: Schedule 45 - Return on Equity Peer Group Benchmark and Schedule 46 - Projected Rate Adjustment Clause Pursuant to § 56-585.1 A 4, A 5 b, c and d, or A 6 of the Code of Virginia.¹⁵ With regard to Schedule 46, the Company requests a waiver, as provided by Rate Application Rule 20 VAC 5-201-10 E, of the requirement to file certain items listed in Schedule 46, which relate to selection of the Bear Garden project as the preferred alternative.¹⁶ In support of its request, the Company notes that these issues were considered and addressed by the Commission when it granted the Bear Garden certificate of public convenience and necessity. Further, the Commission granted a similar waiver in Case No. PUE-2009-00017.¹⁷ The Company requests that a waiver of the requirement of Schedule 46 to file certain materials on selection of the project as the preferred alternative to meet the need for generating capacity be granted in this case and in all future proceedings to modify the RAC for the Bear Garden project.

In addition to the Application and accompanying testimony, exhibits, and schedules, Dominion Virginia Power filed a motion on June 25, 2010, seeking entry of a protective order ("Motion for Protective Order").

NOW THE COMMISSION, having considered the Application, is of the opinion and finds that public notice and an opportunity for participation in this proceeding should be given;

¹⁴ See Note 3, *supra*.

¹⁵ *Id.* at 12-14.

¹⁶ *Id.* at 14-15.

¹⁷ *Id.*, n.6 at 15.

that a hearing should be scheduled on the Application; and that a Hearing Examiner should be assigned to conduct all further proceedings on behalf of the Commission, concluding with the filing of a final report containing the Hearing Examiner's findings and recommendations.

As a preliminary matter, while we recognize that participants in the Stipulation and Addendum in Case No. PUE-2009-00017 agreed to support a specific base ROE in this Rider R filing, the Commission has not pre-determined the issue. Rather than litigate the ROE issue in this proceeding, however, we will establish 11.3% as a placeholder ROE in this case in the interest of judicial economy and we will litigate the ROE issue in the 2011 biennial review. We note that the use of a placeholder ROE in this proceeding parallels the use of a placeholder ROE in the Company's Rider R ROE last year, which remained in place pending the outcome of the Company's base rate case.

Additionally, the Commission finds that the Company should be granted a partial waiver of the Rate Application Rules' requirement to file Schedule 46 in this proceeding. Since much of the information required by Schedule 46 has been previously provided in Case No.

PUE-2008-00014, we will grant the Company a partial waiver of Rule 20 VAC 5-201-60 and Rule 20 VAC 5-201-90 of the Rate Application Rules. Specifically, the Commission will grant Dominion Virginia Power a waiver from the Schedule 46 requirements that are set forth and described in detail in the Company's Application, which are the same Schedule 46 requirements the Commission waived in its April 21, 2009 Order for Notice and Hearing in Case No.

PUE-2009-00017.¹⁸

¹⁸*Application of Virginia Electric and Power Company, For Approval of a Rate Adjustment Clause for Recovery of the Costs of the Bear Garden Generating Station and Bear Garden-Bremo 230 kV Transmission Interconnection Line*, Case No. PUE-2009-00017, Order for Notice and Hearing (April 21, 2009).

The Company also requests that a continuous and ongoing partial waiver of requirements of Schedule 46, as enumerated above, be granted not solely in this case but in all future proceedings to modify the RAC for the Bear Garden Generating Station. While the Commission considered the Company's request to waive some of the filing requirements of Schedule 46 in all future proceedings involving Rider R, we will defer ruling at this point and direct the Hearing Examiner assigned to this matter to make a recommendation. Experience in this first annual revision of Rider R will give the Hearing Examiner a basis for a recommendation.

Finally, the Commission finds that the Hearing Examiner assigned to this proceeding shall rule on the Company's Motion for Protective Order.

Accordingly, IT IS ORDERED THAT:

(1) As provided by Va. Code § 56-585.1 A 6 and A 7 and related provisions of Title 56, this matter be docketed as Case No. PUE-2010-00055 and that all associated papers be filed therein.

(2) As provided by Rate Application Rule 20 VAC 5-201-10 E, the Company's request for waiver of certain filing requirements set out in Schedule 46 of the Rate Application Rules is granted to the extent discussed above.

(3) As provided by Va. Code § 12.1-31 and the Commission's Rules of Practice and Procedure ("Rules of Practice"), 5 VAC 5-20-120, *Procedure before hearing examiners*, a Hearing Examiner shall be appointed to conduct further proceedings in this matter on behalf of the Commission as directed above and to file a final report.

(4) A public hearing on the Application shall be held at 10:00 a.m. on December 1, 2010, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street,

Richmond, Virginia, to receive into the record the testimony under oath of public witnesses and the evidence of the Company, any respondents, and the Staff.

(5) As provided by Rule of Practice 5 VAC 5-20-80 C, *Public witnesses*, written comments on the Application may be filed on or before November 23, 2010, by either of the following methods. Comments may be filed with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Compact discs or any other form of electronic storage medium may not be filed with comments. All correspondence and comments shall refer to Case No. PUE-2010-00055. In the alternative, comments may be submitted electronically by following the instructions available at the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before August 23, 2010, any person or organization may file with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, an original and fifteen (15) copies of a notice of participation as a respondent as required by Rule of Practice 5 VAC 5-20-80 B, *Participation as a respondent*. In the alternative, the notice of participation may be filed electronically as provided by Rule of Practice 5 VAC 5-20-140, *Filing and service*. A copy shall simultaneously be served on counsel to the Company, Karen L. Bell, Esquire, and Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; and Joseph K. Reid, III, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030. Pursuant to Rule of Practice 5 VAC 5-20-80 B, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. The notice of participation shall be filed and served as required by Rules of

Practice 5 VAC 5-20-140, *Filing and service*, and 5 VAC 5-20-150, *Copies and format*. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by Rule of Practice 5 VAC 5-20-30, *Counsel*.

(7) Within five (5) business days of receipt of a notice of participation as a respondent as required by Ordering Paragraph (6), the Company shall serve upon the respondent a copy of the Application; a copy of the public versions of all testimony, exhibits, and schedules filed with the Application; and a copy of the Company's Motion for Protective Order, unless the materials have already been provided to the respondent.

(8) On or before October 19, 2010, any respondent may file with the Clerk of the Commission at the address provided in Ordering Paragraph (6) above an original and fifteen (15) copies of the testimony and exhibits by which it expects to establish its case and serve a copy of the testimony and exhibits on all other parties. In the alternative, testimony and exhibits may be filed electronically as provided by Rule of Practice 5 VAC 5-20-140.

(9) As provided by Rule of Practice 5 VAC 5-20-80 D, Commission staff, the Staff shall participate in this proceeding and conduct an investigation of the Company's Application. On or before November 2, 2010, the Staff shall file with the Clerk of the Commission the testimony and exhibits that it intends to present at the hearing, and the Clerk of the Commission shall serve copies on all parties.

(10) On or before November 16, 2010, the Company may file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony and exhibits that it expects to offer and serve a copy on all other parties. In the alternative, testimony and exhibits may be filed electronically as provided by Rule of Practice 5 VAC 5-20-140, *Filing and service*.

(11) The parties shall respond to interrogatories and requests for production of documents propounded as provided by Rule of Practice 5 VAC 5-20-260, *Interrogatories to parties or requests for production of documents and things*, within seven (7) calendar days after receipt of same. Except as modified, discovery shall be in accordance with the Rules of Practice.

(12) The Company shall make a copy of the Application; a copy of the public version of all testimony, exhibits, and schedules filed with the Application; and a copy of this Order for Notice and Hearing available for public inspection during regular business hours at each business office in Virginia.

(13) The Company shall forthwith provide at no charge a copy of the Application and the public versions of all testimony, exhibits, and schedules filed with the Application upon request to counsel to the Company, Karen L. Bell, Esquire, and Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. The copy of the Application and the public versions of all testimony, exhibits, and schedules filed with the Application may be provided on electronic storage medium, if agreeable to the person making the request, provided that the foregoing procedure shall not be substituted for the procedure for providing copies established pursuant to Rule for Rate Applications 5 VAC 5-201-10 J.

(14) On or before August 9, 2010, the Company shall publish once as display advertising (not classified) the following notice in newspapers of general circulation throughout its Virginia service territory.

NOTICE TO THE PUBLIC OF THE
APPLICATION OF VIRGINIA ELECTRIC AND POWER
COMPANY TO REVISE A RATE ADJUSTMENT CLAUSE
FOR RECOVERY OF THE COST OF THE BEAR GARDEN
GENERATING STATION AND BEAR GARDEN-BREMO
230 KV TRANSMISSION INTERCONNECTION LINE
CASE NO PUE-2010-00055

On June 25, 2010, Virginia Electric and Power Company d/b/a Dominion Virginia Power ("Dominion Virginia Power" or "Company") filed with the State Corporation Commission ("Commission") its application to revise its Rider R ("Application"). Rider R is a rate adjustment clause approved by the Commission pursuant to Va. Code § 56-585.1 A 6 to recover the cost of constructing and operating the Bear Garden Generating Station, a combined-cycle combustion turbine generating facility under construction in Buckingham County, Virginia, and to provide a financial incentive to construct the facility. The Company proposes to revise its Rider R effective for usage on and after April 1, 2011. The proposed Rider R would range from 0.081 cents/kWh to 0.161 cents/kWh, depending on the customer's Rate Schedule. For Schedule 1, Residential, proposed Rider R is 0.161 cents/kWh. The identified total revenue requirement for proposed Rider R from April 1, 2011, to March 31, 2012, is \$85,874,000 for the Virginia jurisdiction.

A public hearing on the application shall be convened at 10:00 a.m. on December 1, 2010, in the Commission's Courtroom, Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive into the record the testimony under oath of public witnesses and the evidence of Dominion Virginia Power, any respondents, and the Commission Staff.

Any person desiring to testify as a public witness should appear at the hearing location fifteen (15) minutes before the starting time on the day of the hearing and contact the Commission's Bailiff.

Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing dates at 1-800-552-7945 (voice) or 1-804-371-9206 (TDD).

The Company's Application, Commission orders, and all documents filed in Case No. PUE-2010-00055 may be inspected in the Commission's Document Control Center, Office of the Clerk of

the Commission, First Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, between 8:15 a.m. and 5:00 p.m. on regular business days.

The Application, the unofficial text of the Commission's orders, and other materials may be viewed at the Commission's website, <http://www.scc.virginia.gov/case>, by clicking the "Docket Search" function and entering the case number, PUE-2010-00055, in the appropriate box.

A copy of the Application, a copy of the public version of all testimony, exhibits, and schedules filed with the Application, and a copy of the Commission's Order for Notice and Hearing are available for public inspection during regular business hours at each Dominion Virginia Power business office in Virginia.

The Company will provide at no charge a copy of the Application and the public versions of all testimony, exhibits, and schedules filed with the Application upon request to counsel to the Company, Karen L. Bell, Esquire, and Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219. The copy of the Application and the public versions of all testimony, exhibits, and schedules filed with the Application may be provided on electronic storage medium, if agreeable to the person making the request.

On or before November 23, 2010, any interested person may file written comments on the Application with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. Compact disks or any other form of electronic storage medium may not be filed with written comments. All comments shall refer to Case No. PUE-2010-00055. Interested persons desiring to submit comments electronically may do so on or before November 23, 2010, by following the instructions found on the Commission's website, <http://www.scc.virginia.gov/case>, and clicking "Public Comments/Notices." Persons commenting electronically need not file comments in writing.

Interested persons, organizations, corporations, and government entities may participate in this proceeding as respondents as provided by the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B, and the requirements set by the Commission's Order for Notice and Hearing entered in this proceeding. On or before August 23, 2010, a respondent must file an original and fifteen (15) copies of a notice of participation with

Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118. In the alternative, the notice may be filed electronically as provided by the Commission's Rules of Practice and Procedure 5 VAC 5-20-140. A copy of the notice of participation shall simultaneously be served on counsel to Dominion Virginia Power, Karen L. Bell, Esquire, and Lisa S. Booth, Esquire, Dominion Resources Services, Inc., 120 Tredegar Street, Richmond, Virginia 23219; and Joseph K. Reid, III, Esquire, and Kristian M. Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond, Virginia 23219-4030.

Pursuant to the Commission's Rules of Practice and Procedure, 5 VAC 5-20-80 B, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Any organization, corporation, or government body participating as a respondent must be represented by counsel as required by the Commission's Rules of Practice and Procedure, 5 VAC 5-20-30.

The Commission's Rules of Practice and Procedure may be viewed at: <http://www.scc.virginia.gov/case>. A printed copy of the Rules of Practice and Procedure and an official copy of the Commission's Order for Notice and Hearing in this proceeding may be obtained from Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118.

VIRGINIA ELECTRIC AND POWER COMPANY

(15) On or before July 26, 2010, the Company shall serve a copy of this Order on all officials as required by Rule for Rate Applications, 5 VAC 5-201-10 J. Service shall be made by either personal delivery or first class mail to the customary place of business or to the residence of the person served.

(16) On or before the commencement of the hearing scheduled herein, the Company shall file proof of publication of the notice prescribed in Ordering Paragraph (14) above and proof of service of copies of this Order as prescribed by Ordering Paragraph (15) above, including the name, title, and address of each official served.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Karen L. Bell, Esquire, and Lisa S. Booth, Esquire, Dominion Resources Services, Inc.,
120 Tredegar Street, Richmond, Virginia 23219; Joseph K. Reid, III, Esquire, and Kristian M.
Dahl, Esquire, McGuireWoods LLP, One James Center, 901 East Cary Street, Richmond,
Virginia 23219-4030; C. Meade Browder, Jr., Senior Assistant Attorney General, 900 East Main
Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the
Commission's Office of General Counsel and Divisions of Energy Regulation, Economics and
Finance, and Public Utility Accounting.